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Speeches

U.S. Department of Agriculture • Office of Governmental and Public Affairs

Talking points for Secretary of Agriculture John R. Block, before the U.S. Feed Grains Council, Cypress Gardens, Florida, February 16, 1981

SELF-HELP, FISCAL RESTRAINT AND EXPORT GROWTH

Senor Perez-Jacome, members of the U.S. Feed Grains Council, it's a real pleasure to be with you today.

Let me say right from the start that your kind of arithmetic is my kind of arithmetic. It's Dave Stockman's kind of arithmetic. It's President Reagan's kind of arithmetic.

The Council gets an $8 return on every producer dollar invested. Some of that return is in the form of USDA monies--the Foreign Agricultural Service is funding the Council $2.7 million this year. Some is from foreign country investment in their own development. But no matter how the figures break down, the sum total is good business.

I worked closely with the Council when I was in Illinois agriculture. I know the extent of your market development programs--the Council now has programs with 43 countries. I appreciate your work, support your export efforts, and understand your problems.

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The private sector and government not only share the same major problem: we're all victims of it. And that, as you know, is inflation. I want you to know that I understand the impact of current economic conditions on expenses and net returns in agriculture. Farm income was down about 25 percent in 1980 from 1979 to an estimated $23-$25 billion. USDA projects that farm income will increase to about $28-$32 billion in 1981. This is still below the 1979 level.

Production costs will increase about 10-12 percent for all of agriculture this year. They may increase even more for feed grains, largely because of the importance of energy in the cost of producing corn.

Energy in corn production cost $5.72 per acre in 1975. In 1980, that cost had risen to $17.15 per acre.

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I won't mince words with you. The inflation situation is critical. And a critical situation demands a drastic response. Agricultural programs won't be singled out for cutbacks. But they won't be spared, either. This is a time of sacrifice. It's a time of severe budget cutbacks made urgent by government costs that soared by $100 billion last year.

The immediate questions now are: what does this mean for farm policy in general and how will it affect the U.S. Feed Grains Council in particular?

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First, let me say that while I recognize that putting together a four-year farm bill, budget cuts and all, is an enormous undertaking, I am confident that my staff and I can do it and we're going for it.

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At this point, I can't lay out for you the specifics of a new farm bill. You understand that. But I can discuss the philosophies that President Reagan and I share and that will underlie the 1981 farm bill as it is developed.

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I am a strong advocate of free enterprise and allowing the marketplace to function without artificial bolsters. For this reason, I am philosophically opposed to the target price concept. Target prices are outlays from the federal treasury that are not repayable, and I will argue for eliminating them from the 1981 bill.

I hold a more moderate position on USDA loan programs because the money is repaid. I will support a modest increase in price support loan rates under the 1981 farm bill.

While we're discussing farm programs, I want you to know that last week ASCS officials authorized a 30-day extension on repayment of reserve grain loans. There are now 979 million bushels of corn in the farmer-owned reserve.

This action was taken to avoid further strain on the transportation system--which is already in trouble because of low levels on the Mississippi--and to avoid the severe glut on the cash market that would be caused by calling due almost 1 billion bushels of corn.

This will give farmers extra time to repay their reserve contract loans at $2.40 per bushel. For 30 days beginning April 16, the interest on reserve loans will no longer be waived and farmers must pay 15-1/4 percent on grain still in the reserve.

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While bringing government spending under control is the absolute, unchallenged priority of this administration, I believe that two agricultural programs in particular should be evaluated in a favorable light because of the net gains they return to the U.S. economy.

The first of these is research. I think our investment in federal dollars has netted American taxpayers efficiency, bargain food prices, and a favorable competitive position internationally.

And the second is exports.

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My position, like yours, is strongly pro-export expansion.

American farmers send into export about one-fourth of their total product by value. I don't think anyone will challenge American agriculture's preeminence among all industries in strengthening the national economy and giving us dollars to pay for imported goods, such as oil.

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The fact is, though, that we're used to operating from a position of abundance. This is no longer true--at least not every year.

There are now 4-1/2 billion people inhabiting this planet. Each day the world's population grows by 200,000. By the year 2000, there will be 6 billion of us.

The gap between the agricultural production of foreign nations and their consumption is growing at a rate of 4·million tons per year. The U.S. has been filling much of this deficit, and that plus our short feed grain crop last year are responsible for our lower stocks this year.

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USDA is projecting total ending stocks this year at 21 million tons. This is nearly 60 percent lowerthan last year and the smallest level since 1975-76.

The fragility of the world food situation means a continuing predominant role for the U.S. in global agricultural trade. But it also means that the private sector and government have serious responsibilities right here and now in the way they approach exports and the complexity of the world situation.

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Last year the Council set a goal of exporting 85 million tons of feed grains by 1985. Now you've boosted that goal to 4 billion bushels, or about 90 million tons--provided you get solid assurances for export expansion.

Let me say that I support your goal and will do everything I can to help you achieve it.

The Council and USDA have a unique and successful relationship directed toward the common goal of market expansion.

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The government can and does provide support.

For example, the office of the General Sales Manager is now reviewing reinstatement of direct credit and intermediate credit programs. GSM will report to me next week on this issue. While such a revolving fund to supplement the on-going export credit guarantee

program has merit in that it would further the sale of U.S. commodities, it also means budget outlays. Any additional budget outlays at this time of fiscal restraint are cause for concern. But I can promise you today that the matter is under consideration and will get my full attention.

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While USDA will support your export growth, first and foremost you must help yourselves.

I believe that real growth must come from the producer side of the equation. That's why, as a corn grower in Illinois, I was very pleased to attend Council meetings and support the first referendum for a producer check-off for export promotion. Now that I'm on the other side, I urge the states to get it together: organize grass-roots structures; educate your people; involve them and pass state check-off programs as a basic measure of export self-help.

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While I can assure you today of my pro-export philosophy, I cannot project the global export picture for the next four years. That, outlook, as you know, is based on many complex world factors, such as Eastern European instability, the Soviet grain embargo and the general issue of bilateral agreements.

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There is no decision I can report to you as yet on the embargo. As you know, President Reagan agreed with my suggestion to move the discussion from the National Security Council to the full Cabinet. The embargo has already been discussed--with no decision reached--at one Cabinet meeting and will be discussed further. The President has made it known that he wants to meet with some of the Congressional leadership before a decision is made.

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I find that the concept of bilateral agreements generally runs counter to the concept of free market world trade--especially since we can't predict global short-falls and where heavy demand will originate.

However, because of the vast potential of Soviet and Chinese demand, and the effect that demand could have on world markets, I would not oppose a new agreement with the Soviet Union and I intend to maintain the four-year agreement with the Chinese that is now in place.

I believe, though, that the growing gap between global production and consumption requires a free market flow and I generally favor a multilateral concept.

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These are some of the issues that we'll be facing together in the next four years. Domestically, things are financially tight. Globally, matters are complex and sensitive.

I want you to know that I appreciate your understanding and support, and I look forward to working with you.

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Press Releases

U.S. Department of Agriculture • Office of Governmental and Public Affairs

USDA COMPETES REVIEW OF SEVEN ALCOHOL FUEL PROJECTS

WASHINGTON, Feb. 18--Secretary of Agriculture John R. Block today said that department review had been completed on seven of the alcohol fuel projects halted by his Jan. 27 order and they are now being returned to the state level for further processing.

The Jan. 27 order to USDA's Farmers Home Administration had stopped "all approval, processing and disbursement" on all alcohol fuel projects pending further review of 15 loans which were being audited by the department's inspector general. At that time, the department had 29 applications under consideration.

On Feb. 13, Block authorized FmHA to proceed with the processing of loan guarantees for 14 plants. A team of loan specialists will now review the remaining eight loans and an announcement regarding these will be made when the review has been completed. The seven returned to the states by today's action are:

IOWA:	Consolidated Energy Group, Ltd., Gowrie;
MICHIGAN:	Enerhol Limited, Marysville;
FLORIDA:	Florida Ethanol, Inc., Mayo;
KENTUCKY:	Kentucky Agricultural Energy Co., Franklin;
TEXAS:	Mapco Alcohol Fuel, Inc., Cactus;
MONTANA:	Montana Agri Processors, Inc., Glasgow;
Ohio:	South Point Gashol, Inc., South Point.

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BLOCK ASKS CONGRESS TO FOREGO APRIL DAIRY SUPPORT INCREASE

WASHINGTON, Feb. 20--Legislation calling for suspension of the April 1 adjustment in dairy price support levels was called for today by Secretary of Agriculture John Block.

In a letter to Congress, Block said the semi-annual adjustments have led to a supply of milk that "significantly exceeded demand since mid-1979." Block said unless current legislation is amended, "current estimates are that dairy supports will have to be raised April 1 by 88 cents per hundred pounds of milk, or about 7-1/2 cents a gallon.

"This increase is unwise in view of the existing dairy surplus. If the increase goes ahead as scheduled, the dairy surplus this year will rise to around 11.3 billion pounds and cost taxpayers $1.9 billion.

"Such expenditures cannot be justified and are unacceptable to the aims of the Reagan adminstration," Block said.

While he is opposed to the April increase, Block said he favors continuing the present price support level of $12.80 per hundredweight for milk with a 3.5 percent milkfat content.

Block said maintaining the current milk price support level without the April 1 adjustment would be expected to save about $138 million in fiscal 1981.

Current legislation requires the U.S. Department of Agriculture to adjust the dairy support level semi-annually.

A legislative proposal to forego the April 1 increase has been submitted to the Congress, Block said, and the administration will be working with the Congress and dairy leaders to secure its passage.

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USDA WITHDRAWS INSPECTION SERVICE FROM ILLINOIS MEAT PLANT

WASHINGTON, Feb. 20--The U.S. Department of Agriculture withdrew federal meat inspection service from Davenport Packing Co., Milan, Ill., on Feb. 13 because of continuing unsanitary conditions.

The firm cannot operate without federal meat inspectors on duty.

Donald L. Houston, administrator of USDA's Food Safety and Quality Service, said the action follows a history of unsatisfactory review findings conducted by USDA officials.

Houston said that for some time specific areas in the plant have been identified where condensation, overcrowding or disrepair of machinery, or faulty product handling could have resulted in

contaminated meat products.

"Federal meat inspectors have insisted on many temporary measures to assure the safety of the product." Houston said. "However, satisfactory permanent corrections of major problems have not been made."

Davenport has 20 days to file an answer with USDA, which would provide the plant an opportunity for a hearing before an administrative law judge.

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PORK, POULTRY, CITRUS, CABBAGE PLENTIFUL FOR MARCH; SOME TENDER VEGETABLES AND PEANUTS LIGHT

WASHIGNTON, Feb. 20--Food shoppers should find plenty of pork, chicken, turkey, dairy products, apples, winter pears, oranges, grapefruit, raisins, prunes and cabbage in markets during March, according to U.S. Department of Agriculture marketing specialists.

But, because of the January freeze in Florida, some of the more tender vegetables like snap beans, sweet corn, peppers, squash and eggplant will be in light supply--not enough for normal needs.

Fresh oranges will be plentiful because of the bumper crop of navel oranges in California. Grapefruit, too, should be plentiful, but shipments so far this season have been lagging slightly behind the heavy volume of last year, and Texas' harvest is behind last year's schedule.

Citrus juices are expected to be in adequate supply--enough to meet normal needs. Because of Florida's freeze, juice processors there are having to allocate substantially reduced supplies of frozen concentrate, chilled and canned juices over the season. At the same time, carryover stocks are higher than they were a year ago, and processing plants are operating at an accelerated rate.

Produce bins will be full of apples and winter pears, since storage holdings have been substantially larger than early last year. Major canned non-citrus fruits, including peaches, pears, fruit cocktail and applesauce are expected to be in adequate supply.

Milk production in March will likely set an all-time high for the month. So far this year, output is about 4 percent above the early part of last year. Milk and dairy products are expected to be plentiful.

Pork production is expected to rise seasonally during the month, with overall supplies remaining large. Output will average 6 to 8 percent below the record high production rates of a year earlier but will be about 5 percent above the 1978-80 average for March.

During March, beef will be in adequate supply, with supplies 5 to 7 percent below the 1978-80 average for the month. Broiler-fryers and turkey will be plentiful--8 to 10 percent above the latest 3 year average for the month for broiler--fryers and 20 to 25 percent above average for turkey.

Egg output--in the adequate category--will be about the same as last March and 2 percent above the 1978-80 average for the month.

Tender vegetables affected by the severe January freeze in Florida include tomatoes, which will be in light supply. Mexico's shipments of tomatoes to the United States this season are smaller than usual. Cabbage will be plentiful, with active shipments from Florida and Texas continuing through March.

Potatoes, frozen potato products, sweetpotatoes and onions are expected to be in adequate supply. Storage holdings of potatoes, sweetpotatoes and onions are well below the heavy holdings reported early last year. New-crop onions from Texas should bolster total onion supplies.

Canned vegetables are expected to be in adequate supply overall. Inventories are slightly larger than last year for canned snap beans, beets, carrots and green peas, but lower for canned sweet corn, tomatoes and most tomato products. For frozen items, broccoli, cauliflower, green peas and spinach will be adequate, while sweet corn, lima beans and carrots are expected to be in light supply.

Peanuts will continue light because of a 1980 crop that was smallest since 1964. Rice, dry beans and dry peas will continue plentiful during March because of big crops last year. The rice crop set a record.

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